

Annual performance report 2017 - 2018 update

As stated in our Annual Performance Report, published on 15 July 2018, this is a new disclosure for 2017–18, developed jointly by Ofwat and water companies. It is intended to improve transparency and explain the elements that have the most significant impact on the financial flows to investors.

Following publication of the Annual Performance Report for 2017–18 Ofwat provided additional clarification regarding the calculation of some of the metrics in the financial flows table and requested some amendments in order to ensure consistency across the industry. Our updated table is published below and we continue to work with Ofwat to develop the guidance and reporting for 2018–19.

Financial flows for the 12 months ended 31 March 2018						
	%			£m (2012–13 real)		
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Return on regulatory equity	5.58%	3.15%	5.58%	90.2	50.9	50.9
Actual performance adjustment 2010–2015	2.00%	1.13%	2.00%	32.3	18.2	18.2
Adjusted Return on regulatory equity	7.58%	4.27%	7.58%	122.4	69.0	69.0
Regulatory equity base				1,615	1,615	911
Financing						
Gearing	–	2.18%	3.86%	–	35.2	35.2
Variance in corporation tax	–	(1.53%)	(2.71%)	–	(24.6)	(24.6)
Group relief	–	0.30%	0.54%	–	4.9	4.9
Cost of debt	–	2.31%	5.18%	–	37.4	47.2
Hedging instruments	–	(0.52%)	(1.17%)	–	(8.4)	(10.7)
Sub total	7.58%	7.02%	13.29%	122.4	113.4	121.0
Operational Performance						
Totex out/(under) performance	–	0.63%	1.12%	–	10.2	10.2
ODI out/(under) performance	–	(0.02%)	(0.03%)	–	(0.3)	(0.3)
Retail out/(under) performance	–	(1.03%)	(1.83%)	–	(16.7)	(16.7)
Sub total	–	(0.42%)	(0.74%)	–	(6.8)	(6.8)
Total earnings	7.58%	6.60%	12.54%	122.4	106.7	114.2
RCV growth	3.74%	3.74%	3.74%	60.3	60.3	34.0
Total shareholder return	11.32%	10.34%	16.28%	182.8	167.0	148.2
Net dividend	4.00%	0.27%	0.47%	64.6	4.3	4.3
Retained Value	7.32%	10.07%	15.80%	118.2	162.7	143.9
Dividends reconciliation						
Gross Dividend	4.00%	2.81%	4.98%	64.6	45.4	45.4
Interest Receivable on Intercompany loans	–	2.54%	4.51%	–	41.0	41.0
Net dividend	4.00%	0.27%	0.47%	64.6	4.3	4.3

Due to rounding, the figures presented above may not precisely reflect those calculated in accordance with Ofwat's methodology.